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TO RUEHC/SECSTATE WASHDC PRIORITY 3577
INFO RUEHSK/AMEMBASSY MINSK PRIORITY
RUEHRA/AMEMBASSY RIGA PRIORITY 3610
RUEHVJ/AMEMBASSY SARAJEVO PRIORITY 0004
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UNCLAS SECTION 01 OF 03 VILNIUS 000340

SIPDIS

PLEASE PASS TO H FOR CODEL CARDIN FROM AMBASSADOR JOHN CLOUD

E.O. 12958: N/A

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SUBJECT: LITHUANIA: SCENESETTER FOR VISIT OF CODEL CARDIN

REF: SECSTATE 63892

¶1. Welcome to Lithuania! We look forward to your visit, which coincides with a number of local celebrations. This year marks the fifth anniversary of Lithuania's membership in NATO. Lithuania is also celebrating the 1,000-year anniversary of the first reference to the country in historical texts, and Vilnius is one of Europe's 2009 Capitals of Culture. The United States and Lithuania enjoy a friendly and productive bilateral relationship based on a century of immigration, as well as our non-recognition of the forcible incorporation of Lithuania into the Soviet Union. Lithuania was delighted to join the Visa Waiver Program late last year, allowing easier travel to the United States. Lithuania has been a staunch U.S. partner, sending troops to Kosovo and Afghanistan. The Government of Lithuania (GOL) and all mainstream political parties value the friendship with the United States, as evidenced by the fact that you will meet with the President, the Foreign Minister and the parliamentary Speaker, and have received requests for more meetings than you can accommodate.

Preview of Your Visit

¶2. I look forward to greeting your delegation upon arrival at the Vilnius airport on Sunday, and to welcoming you to my residence on Thursday for a celebration of the 233rd anniversary of America's independence. Leaders of the Jewish Community of Lithuania are eager to speak with you on Monday.

After your trip to Belarus on Tuesday, you will meet Wednesday with Seimas Speaker Arunas Valinskas and Foreign Minister Vygaudas Usackas, and with President Valdas Adamkus the following day. And every day of your visit will be busy with meetings and other business of the Organization for Security and Cooperation in Europe (OSCE) Parliamentary Assembly (PA).

Relations with Russia

¶3. Lithuanian-Russian relations are complicated, and historically have been characterized by occupation and repression. In the last century, the Russian Empire and the Soviet Union occupied Lithuania from 1900-1918, 1940-1941 and then again from 1944-1991. In 1990, Lithuania became the first republic to proclaim independence from the Soviet Union. Today Lithuania's relations with Russia remain difficult. Even average Lithuanians were concerned about Russian aggression in Georgia last August, but there are clearly mixed feelings about whether the best path is to engage Russia or try to isolate it.

¶4. In the economic field, Lithuania is fully dependent on Russia for its natural gas supply and largely dependent on

Russia for oil imports. Looking ahead, Lithuania's Ignalina Nuclear Power Plant (a Chernobyl-style Soviet-era facility) will close on December 31, 2009, under the terms of its EU accession agreement. Lithuania presently has no replacement ready and has no option to replace this electrical power other than increased reliance on Russian resources.

Lithuania is uncomfortable with Russia maintaining so much leverage but developing alternative energy sources will take time. Russia is also Lithuania's largest trading partner.

¶15. Lithuania has a small (five percent) Russian minority, which plays no significant role in domestic politics. When Lithuania regained its independence, ethnic Russians living here were able to apply for Lithuanian citizenship, which has allowed Lithuania to avoid ethnic tensions that have troubled the other Baltic states.

¶16. Some in Lithuania may be ready to tentatively hit the restart button together with allies. The Lithuanian Foreign Ministry has signaled an increased willingness to engage Russia on border, cultural and diplomatic initiatives. President-elect Grybauskaite, Lithuania's former European Commissioner, has said she would seek "respectful, balanced cooperation, but without selling out Lithuanian values." But she also called for a united European approach to Russia. "We would like the EU to speak with one voice on energy supplies and not leave separate states alone in their battle with Russia."

Jewish Issues

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¶17. Lithuania has struggled to deal with the effects of the Holocaust and the involvement of Lithuanians in it. This embassy has been deeply engaged with the GOL to push for the restitution of Jewish communal property and for the protection of a historic Jewish cemetery in the Snipiskes neighborhood of Vilnius. Congress passed concurrent resolutions critical of the GOL on both of these topics last year. Lithuania also has appeared more zealous in efforts to investigate Jewish WWII partisans who fought alongside Soviet troops than Nazi collaborators, and some politicians clearly consider the Soviets a greater historical evil than the Nazis.

¶18. Lithuania is one of the few countries in Europe that has not resolved the issue of communal Jewish property confiscated by Nazi or Soviet occupation forces. For years, successive governments have promised -- and failed -- to introduce restitution legislation in the Seimas (parliament). Prime Minister Kubilius has committed to sending legislation to the Parliament, possibly this week. Jewish leaders say they were not consulted before the government unveiled the latest proposal, and they have difficulty with some of the provisions.

¶19. The GOL in April took an important and welcome step in unilaterally protecting from development most of the site of the historic Jewish cemetery in the Snipiskes area of Vilnius. That cemetery was the main burial ground for Vilnius's large Jewish community for several centuries. It was largely destroyed by the Soviets, who removed headstones and used them in other construction projects, although many graves remain in place. In 2006-2007, the GOL allowed the construction of office/apartment buildings in one corner of the site, despite significant evidence that they likely were partially inside the cemetery's boundaries. While applauding the GOL's recent action, we continue to urge the government to work with international Jewish groups to ensure that the cemetery is protected and appropriately memorialized in compliance with Jewish law.

¶10. Although the Justice Department's Office of Special Investigations (OSI) has provided the GOL with extensive files of evidence on Lithuanian-born Nazi collaborators, few

have been prosecuted here and none has been imprisoned. Yet the Prosecutor General's office last year actively pursued investigation of several elderly Jews, who had been anti-Nazi partisans, about mass killings of Lithuanians allegedly committed by fighters allied with Soviet troops during World War II. The GOL dropped the case against the most well-known of these partisans, General Arad, and has told us that prosecutors will not seek to question any of the partisans. Nonetheless, some of the partisans are unwilling to return to Lithuania without explicit assurances.

Economic Downturn

¶11. After years of strong growth, the economy has reversed course. Unemployment levels have increased from 4.9 percent in the first quarter of 2008 to 11.9 percent in the first quarter of 2009.

¶12. As revenues decline, the government's budget deficit is growing, despite earlier budget cuts and tax increases. The GOL slashed spending by approximately 15 percent at the beginning of this year, a further 1.2 billion dollars of additional cuts in May and is likely to add cuts of another 385 million dollars in August or September. Further cuts could follow. The media report that the Finance Ministry now anticipates negative growth of 18.2 percent this year. The prime minister has said that the GOL would consider laying off 4,000 public-sector employees, approximately 20 percent of total staff.

¶13. External borrowing, already a challenge, should become more difficult following Standard and Poor's recent lowering of Lithuania's sovereign credit rating to BBB/A-3 from BBB plus/A-2.

¶14. The United States ranks 12th in Foreign Direct Investment (FDI) in Lithuania. U.S. direct investment stands at 314 million dollars, or 2.6 percent of total FDI, trailing well behind neighboring and other European countries. At the corporate level, though, Philip Morris, Kraft and Mars are among the largest single foreign investors in Lithuania.

End of an era

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¶15. Lithuanian President Valdas Adamkus will step down after two terms as President on July 12. As a former U.S. citizen, President Adamkus has been a great friend of the United States. He will be missed. His successor, Dalia Grybauskaite, is a former European Commissioner and Finance Minister. She also served in the Lithuanian Embassy in Washington in the late 1990s. We anticipate a continued excellent relationship with President-elect Grybauskaite, but expect some of the empathy we had with President Adamkus will be lost.

¶16. All of us at Embassy Vilnius very much look forward to seeing you in Lithuania June 28 to July 3, and wish you safe travels.

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